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THE HUNGARIAN NATIONAL BUDGET FOR 1955

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The budget of the socialist state is "the main vehicle for the planned formation and utilization of a centralized monetary fund, which serves the growing needs of society," according to a textbook of political economics (Szikra, 1955). It is the ultimate plan for the distribution of the national income, which involves two processes: the allocation of products as consumer goods to planned destinations and, concomitantly, the provision of the necessary funds for the acquisition of those products. The distribution of consumer goods is determined in accordance with schedules for production, investment, domestic and foreign trade, etc., as embodied in the national economic plan; and the necessary funds must be provided for in the national budget and in the financial plans of the enterprises.

The distribution of products in kind and the movement of funds effecting the distribution must be in balance. To establish the simultaneous balance of both accounts, the budget must be in conformity with the national economic plan, which in turn must be formulated with particular attention to the sources of budgetary income.

The major part of the income of socialist countries is devoted to the socialized sector of the economy. In Hungary, 80 percent of the national income went to the socialized sector in 1954.

The initial distribution of that part of the national income earned by the enterprises takes place at the enterprise level in the form of monetary disbursements for direct requirements (e.g., the payment of wages) and for social requirements. The sum allocated for social requirements represents the net profits of state enterprises and is divided into two categories: (1) the profits of state enterprises, which are expended directly for expanding production and other authorized uses, such as incentive awards for employees, and (2) the state's share of enterprise profits, which is deposited in the national treasury in amounts determined by the turnover tax and the wage and earning scales of the various enterprises. The earnings of state farms are classified and handled in essentially the same way as those of the enterprises, except that the deposits in the national treasury are determined on the basis of the price system and the income taxes of the various farms. The income derived from state enterprises and state farms (the state's share of enterprise profits) comprises the major part of the national income.

The initial distribution of national budget income is made not only from state enterprise and state farm deposits, but also from deposits from other sources, principally from small-scale producers. Income from the latter source is allocated for social needs of a general nature.

One part of the budget income is produced in the course of the further distribution of the national income (e.g., payments into the worker retirement fund), fees collected from the various organs of the state, etc. Although important, such income is a small proportion of the total budget income.

The further distribution of the national income is effected by the state, principally through the instrumentality of the budget, for the following purposes:

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1. To provide for the expansion of production, with funds for expanding the fixed capital of state enterprises; for expanding certain sectors of the economy; for providing the costs of MTS; and for scientific research and the exploitation of natural resources.

2. To provide funds for social requirements, which, although not directly related to production, are indispensable to the expansion of production and the well-being of the people. Such funds are divided into two main types: (a) social and cultural funds for education, hospitals, kindergartens, day nurseries, supplementary wages for production workers, etc., and (b) public service funds for the construction and maintenance of highways and bridges, for the military establishments, state administration, etc.

Since the national income is either accumulated or consumed in the final analysis, the purpose of the budget is to assure that the parts of the budget designated for direct consumption and for accumulation are distributed in proper proportion, according to the economic plan. Other monetary matters are also handled in the budget, such as the provision of funds for international obligations and the settlement of sundry clearing transactions, but such matters do not pertain to the theoretical basis of the distribution of the national income.

Since financial reserves are necessary to the uninterrupted planning of a socialist state, the budget should not only be in balance but should always show a surplus: the budget surplus is simply a monetary expression of all or part of the amount of national income held in reserve. In practice, besides the amount earmarked for surplus, additional sums are held in reserve to cover increases in budgeted expenditures which may occur during the fiscal year.

The major objective of the 1955 budget is to ensure a smooth transition from the first to the second Five-Year Plan, especially as regards providing the necessary funds for increased industrialization, curbing laxity in the management of state enterprises, and waging war against waste.

The 1955 budget calls for an income of 47,011,000,000 forints and an expenditure of 45,502,000,000 forints, which will provide a surplus of 1,509,000,000 forints. The major part of the income, 33.7 billion forints, or 71.6 percent of the budget income, will come from the state enterprises, while 8 percent will come from taxes on the people. Over half of the expenditures, 55.5 percent, is designated for the expansion of the economy; 10.4 billion forints for social and cultural affairs; 5.7 billion (12.5 percent of total expenditures), for the military establishment; and 2 billion, for administration of the state.

The following table shows the annual amounts of budget income since 1950:

<u>Year</u>	<u>Budget Income (millions of forints)</u>
1950	25,453
1951	33,584
1952	42,502
1953	49,890
1954	45,286
1955	46,961

During each of the above-listed years, an appreciable surplus was realized.

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From 1950 to 1955, the contribution of the entire socialist sector of the economy to the national income increased from 54 to 80 percent, including an increase of from 50 to 64 percent in industry. The socialist sector provided four fifths of the total budget income in 1954, as compared to two thirds in 1950.

The amount of the state's share of enterprise profits determines the extent to which the economy may be expanded, capital accumulated, and social and cultural needs satisfied. At a given price level, the amount of the state's share of enterprise profits depends on the level of production, or the extent of its increase, on the cost of production and distribution, and on productivity. Since industrial production is stressed in socialist countries, the interrelation of these factors can best be illustrated by a comparison of industrial production, production costs, productivity, and the trend in net profits throughout the economy.

During the first 3 years of the Five-Year-Plan, the state's share of enterprise profits grew by an average of 30 percent annually, increasing in proportion to the increased rate of industrial production. Although, in 1953, industrial production increased at a slower rate and production costs were not lowered, profits showed a gain of about 6 percent, most of which was attributed to increased industrial production. In 1954, by reason of the rightist policies of the government, state industrial production made no gains, and production costs increased. Productivity, which had increased by 50 percent in the first 3 years of the Five-Year Plan, marked time in 1953 and dropped by about one percent in 1954.

The unfavorable trend in productivity was caused principally by the backwardness of technical standards and the laxity of work discipline. The majority of technical improvements called for in plans were not implemented; a considerable proportion of the nation's industrial machinery usually was idle; and maintenance was faulty. As regards work discipline, the equivalent annual work-time of 40,000 workers was lost through absenteeism in 1954, principally in the form of feigned sickness and unauthorized absence. In the mining industry, 27.5 percent more sick leave was taken in 1954 than in 1953, and in the enterprises of the Ministry of the Chemical Industry and Electric Power, the amount of sick leave taken during the same period rose by 20.4 percent.

In compliance with the March resolution of the Central Committee, the 1955 budget calls for a 5.7 percent increase in socialized industrial production and about a 3 percent reduction in production costs, an objective which is not only realistic but can be surpassed.

The enterprises of the Ministry of Metallurgy and Machine Industry are to pay 10 percent more of their profits into the budget than during the preceding year, while those of the Ministry of Coal Mining and the Ministry of the Chemical Industry and Electric Power are to increase deposits into the treasury by over 600 million forints. The profit payments from light industrial enterprises, enhanced by a reduction of production costs, will be more than double those of 1954.

Budgetary revenues from certain sectors of the economy, mainly from the food processing industries and produce collection, will be less this year, as a result of higher market prices for agricultural products. This loss is offset only in part by the advantages accruing to the state farms in consequence of higher prices for farm produce. Otherwise, the loss to the budget signifies an increase in the earnings and advantages gained by the peasants.

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Collections from the populace represent a minor portion of the total budget income in a socialist state. The following index shows the trend in the amounts collected in the form of taxes, state loans, and retirement fund payments from the people in recent years:

<u>Year</u>	<u>Index (1950 equals 100)</u>
1951	103.6
1952	107.7
1953	98.1
1954	91.0
1955 [planned]	104.6

Not only have the people been required to pay an increasingly smaller proportion of the budget income since 1950 but, in 1953 and 1954, the absolute amount of such payments declined. This is viewed as an unhealthy situation, attributable partially to benefits granted the peasants but mainly to the slackness of civil discipline. In 1955, the payment of taxes is to be strictly enforced. Also, increased social insurance benefits will require large contributions from the wages of the workers.

In the past 5 years, 67 billion forints has been provided to cooperatives in the form of long-term investment loans and to state enterprises in the form of grants for increasing fixed capital. During the same period, 46.7 percent of total investments went to the machine and building industries. Not only were several industrial centers expanded, but 75 new industrial plants were put into operation. In the building industry, earth-moving operations became 48 percent mechanized, and concrete mixing, 74 percent mechanized.

The 1955 budget allocates 9 billion forints for the expansion of fixed capital (2 billion forints less than in 1954), of which 35 percent is to be invested in heavy industry.

Investment funds have been seriously dissipated in the past through mismanagement and lack of centralization. Therefore, production delays must be eliminated and the centralization of investment begun. A significant part of the 1955 investment fund must be used for putting incomplete projects into operation. To this end, about 4 billion forints must be invested in facilities capable of effecting an immediate expansion of agricultural and industrial production. According to plans, the following installations, among others, are to begin operations in 1955: the Borsod Power Works (Borsodi Eromu), the Borsod Chemical Combine (Borsodi Vegyi Kombinat), the enlarged plant of the Pet Nitrogen Works (Peti Nitrogenmuvek), and the Miskolc Spinning Mill (Miskolci Fonoda); the Ujpest railroad bridge is to be opened to traffic, and the new railroad station at Szekesfehervar is to be completed this year.

The reserves needed for additional investments can be acquired by austerity. Investments, especially in building, are very heavy. However, although the economic plan prescribes a 5.4 percent reduction in expenditures for the building industry, with careful management the materials counted as "inventory losses" in 1954 can be saved, thereby providing 30-40 million forints worth of materials for investment.

A considerable sum could be saved by reducing planning expenses. While investment funds have decreased, planning expenses have increased to a disproportionately high level; between 1952 and 1954, such expenses rose from 4.2 percent to 9.7 percent of investment expenditures.

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In the course of economic development, the enterprises have acquired considerable working capital each year. The 1955 budget allocates over 1.4 billion forints for supplementing the working capital of state enterprises.

The 1955 budget provides 2,340,000,000 forints for investment in agriculture, a sum 15 percent greater than in 1954, despite a reduction of total investment appropriations. Of this, about 1.2 billion forints is earmarked for MTS development, and 400 million forints in long-term credits is provided for the collectivized sector of agriculture. Although it has always been necessary to appropriate sums for state farms, the 1955 plan calls for sharply reduced production costs and much more efficient management in that sector. Independent peasants are to receive about one million forints in the form of quality seed grain, breeding stock, veterinary service, and plant protection.

Under the Five-Year Plan, 36.7 billion forints has been spent for social and cultural development (public health, education, people's culture, and social insurance). Within 5 years, the proportion spent for such purposes has increased from 15.7 percent to 23 percent of total budget expenditures. About 10.4 billion forints is allocated for social and cultural development in the 1955 budget.

The state administrative system will require 4.5 percent (2 billion forints) of total budget expenditures in 1955, as compared with 5.2 percent in 1951. The fact that most sectors of the economy have grown significantly since 1949, however, does not warrant a threefold increase in agricultural administrative expenses or a one-and-one-half-fold increase in educational administrative expenses.

The budgets of the local councils will exceed 1.4 billion forints this year, with the megye councils having budgets of 200 million to 300 million forints each. The Budapest city budget will amount to over 1.6 billion forints.

During the first quarter of 1955, the implementation of the budget and of the economic plan has been reassuring. Although progress has not been uniform throughout industry, the industrial production quota has been surpassed by 4.6 percent. By the same token, production costs have been reduced in many factories, such as the Obuda Shipyard (Obudai Hajogyar) and the Budapest Power Works (Budapesti Eromu), which saved over 3,000 tons of coal in the first quarter of the year. The enterprises of the Ministry of Light Industry cut production costs by 2.6 percent, although the prescribed reduction was only 0.9 percent.

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